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July 1, 1996

HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Prudency Review to Determine Regulatory
Treatment of Tampa Electric Company's
Polk Unit; FPSC Docket No. 960409-EI

Dear Ms. Bayo:

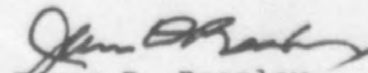
Enclosed for filing in the above docket on behalf of Tampa
Electric Company are fifteen (15) copies of each of the following:

1. Rebuttal Testimony of John R. Rowe, Jr. 07017-96
2. Rebuttal Testimony and Exhibits of Hugh W. Smith. 07018-96
3. Rebuttal Testimony and Exhibits of Stephen L. Thumb. 07019-96
4. Rebuttal Testimony and Exhibits of Thomas L. Hernandez. 07021-96
5. Rebuttal Testimony and Exhibits of Charles R. Black. 07020-96

Please acknowledge receipt and filing of the above by stamping
the duplicate copy of this letter and returning same to this
writer.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

ACK 1
 AFA 3
 APP _____
 CAF _____
 CMU _____
 CTR _____
 (EAG) Dudley
 LEG 1
 LIN 5 JDB/pp
 OPC _____ Enclosures

RCH cc: All Parties of Record (w/encls.)

SEC 1 RECEIVED & FILED

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Ms. Blanca S. Bayo
July 1, 1996
Page Two

CERTIFICATE OF SERVICE

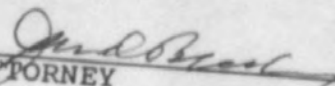
I HEREBY CERTIFY that a true copy of the foregoing Rebuttal
Testimony and Exhibits, filed on behalf of Tampa Electric Company,
has been furnished by U. S. Mail or hand delivery (*) on this 1st
day of July, 1996 to the following:

Mr. Robert V. Elias*
Staff Counsel
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Florida Public Service
Commission
2540 Shumard Oak Boulevard
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Tampa, FL 33602


ATTORNEY

435
Dilworth
ELE COPY



TAMPA ELECTRIC COMPANY

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 960409-EI

REBUTTAL TESTIMONY
OF

JOHN R. ROWE, JR.

DOCUMENT UNDER DATE
07017 JUL-18
FPSC-RECORDS/REPORTING

BEFORE THE PUBLIC SERVICE COMMISSION
PREPARED REBUTTAL TESTIMONY

OF

JOHN R. ROWE, JR.

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5
6 Q. Please state your name, occupation and business address.

7
8 A. My name is John R. Rowe, Jr. I am Vice President - Staff,
9 Regulatory and Business Strategy for Tampa Electric
10 Company. My business address is 702 North Franklin Street,
11 Tampa, Florida 33602.

12
13 Q. Have you previously filed testimony in this docket?

14
15 A. Yes. I filed direct testimony in this docket on May 7,
16 1996.

17
18 Q. What is the purpose of your rebuttal testimony?

19
20 A. My testimony here rebuts certain positions and statements
21 made in the direct testimony of Mr. Hugh Larkin Jr. (OPC),
22 Mr. Randall Falkenberg (FIPUG), and Mr. Thomas Ballinger
23 (Staff) prefiled in this docket. I call the Commission's
24 attention to the appropriate standards of review for
25 evaluating the prudence of utility decision-making and then

1 I evaluate the testimony of these witnesses using those
2 standards of review. I call the Commission's specific
3 attention not only to why a reasonable person should reject
4 notions explicitly included in the testimony of these
5 witnesses but also to the conclusions a reasonable person
6 should reach in recognizing the important information which
7 is excluded from their testimony. The bottom line of my
8 rebuttal testimony is that:

- 9 1. The purpose of this docket is to determine the
10 prudence of the Polk Power Station. The
11 standard of review in determining prudence calls
12 for an inquiry into whether there was a rational
13 basis for the decisions made by management. In
14 applying this standard, the Commission should
15 not judge prudence by reference to what it might
16 have done had it been exercising management's
17 role or whether another person confronted with
18 the same facts would have made a different
19 decision. The "facts" referred to above are what
20 facts were known or should have been known at
21 the time the decisions were made.
- 22 2. No party has provided in direct testimony any
23 credible evidence under these standards which
24 would reasonably support a conclusion that Tampa
25 Electric should be afforded any less than full

1 recognition of the actual costs of the Polk
2 Power Station for regulatory purposes.

3 3. All three opposing parties imply that this
4 Commission erred in 1991-92 when it approved
5 Polk Unit One. They argue that the Commission's
6 Order No. PSC-92-0002-FOF-EI ("Order No. 92-0002"
7 or the "Need Order") had no conclusive and final
8 effect and that many issues addressed over four
9 years ago should now be readdressed. I explain
10 why these assertions cannot be supported by the
11 facts.

12 4. No party contends that there was not a rational
13 basis for the project-related decisions made by
14 Tampa Electric following approval of Polk Unit
15 One; instead, they argue what they think should
16 have been done had they been exercising
17 management control over the Polk project. My
18 testimony shows their arguments are based on
19 unsupportable standards.

20 5. All three parties base their conclusions
21 primarily on flawed premises and hindsight.
22 They ignore the timing and circumstances under
23 which Tampa Electric's management made the
24 forward-looking decisions which resulted in
25 delivering a complex, cost-effective generating

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unit on time and very close to budget. I call these circumstances to the Commission's attention.

To summarize, as I demonstrate in more detail later in my rebuttal testimony, the direct testimony of Messrs. Larkin, Falkenberg and Ballinger even taken together does nothing to support any conclusion other than a finding of prudence on the company's part.

Q. Before you begin your individual rebuttal of each witness, please elaborate on your conclusion that no party has provided credible evidence why the entire cost of the Polk Power Station investment and expenses should not be put in rate base and operating expenses, respectively.

A. I believe, and I think that reasonable people will agree, that if a project is approved and prudently constructed, the full actual investment and expenses of the project should clearly be found to be prudent and allowed in rate base and operating expenses. The determination of prudence should be based on the standards I described earlier in my testimony. This Commission determined that Polk Unit One was cost-effective in 1992. Tampa Electric's witness Mr. Thomas Hernandez has shown, in this proceeding, that Polk

1 Unit One remains cost-effective today. There is no
2 testimony in this proceeding which shows that Tampa
3 Electric's construction, cost management, engineering, or
4 testing of Polk One was imprudently carried out. Tampa
5 Electric witness Mr. Charles Black has clearly demonstrated
6 through his testimony without contradiction from others
7 exactly what was done to prudently manage the project to
8 fruition. No witness has shown that recognizing the full
9 cost of Polk One in rate base will result in unduly
10 burdensome prices to Tampa Electric's customers. The
11 existence of the April 30, 1996 stipulation between OPC,
12 FIPUG and the company (approved by this Commission) dealt
13 effectively with that. Given these facts, I believe any
14 reasonable person would reach the same conclusion I have.

15
16 Q. Does the stipulation of April 30, 1996 speak directly to
17 the intent of the parties with respect to the several
18 "alternative ratemaking methodologies" discussed by these
19 three witnesses?

20
21 A. Yes. The stipulation clearly states that there will be no
22 change in Tampa Electric's base rates before January 1, 1999
23 unless Tampa Electric should request on its own motion and
24 obtain regulatory approval to reduce its base rates.
25 Paragraph 11 of the stipulation further provides that:

1 ".....the calculations of the actual
2 ROE for each calendar year will be on
3 an "FPSC adjusted basis" using an
4 appropriate adjustments approved in
5 Tampa Electric's (last) full revenue
6 requirements proceeding. All
7 reasonable and prudent expenses and
8 investment will be allowed in the
9 computation and no annualization or
10 proforma adjustments shall be made."
11 (Emphasis added.)
12

13 Since the parties agreed which adjustments to actual data
14 shall and shall not be made, and since the parties have
15 agreed to freeze base rates at current levels through 1998,
16 and since the stipulation itself is already a non-
17 traditional alternative to the consideration of rates for
18 a new major asset, no other alternative ratemaking
19 treatments should be considered in this docket.
20

21 Rebuttal of Hugh Larkin Jr. (OPC)
22

23 THE NEED ORDER WAS NOT CONDITIONAL OR TENTATIVE

24 Q. Is there any credible basis for Mr. Larkin's assertion that
25 the Commission only "tentatively" accepted Tampa Electric's
26 analysis of the cost-effectiveness of the IGCC plant in the
27 1991 Certification of Need Hearing?
28

29 A. No. Mr. Larkin is in error on this point. Except for the
30 explicit condition regarding the securing and retention of
31 DOE funding, there is nothing "tentative" about Order No.

1 92-0002. The Florida Administrative Procedures Act
2 provides all parties with an opportunity to be heard on
3 issues, including a schedule for appeal. Mr. Larkin is far
4 too late to ask for reconsideration of Order No. 92-0002,
5 and the time has long since run out for appeal. The order
6 is final. The order does not say that the Commission "gave
7 its approval at the time but that it might change its mind
8 later".

9
10 In its September 5, 1991 Petition for Determination of
11 Need, Tampa Electric explicitly asked this Commission to
12 approve the construction of a 220 MW IGCC Unit and related
13 facilities at a site located in Polk County. During the
14 Need Hearing, the size of the proposed project was
15 increased to 260 MW, as noted at page 8 of the Need Order.
16 In the Need Order, this Commission announced several
17 conclusions in the course of approving this petition, none
18 of them tentative or interim, each of which bear directly
19 on the present inquiry.

20
21 The Need Order provides the following:

22 **FINAL APPROVAL OF POLK IGCC UNIT**

23 It is ordered by the Florida Public
24 Service Commission that, for the
25 reasons, and with the conditions, set
26 out in the body of this order, Tampa
27 Electric Company's Petition for
28 Determination of Need for a Proposed

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Electrical Power Plant and Related
Facilities in Polk County is hereby
granted. (Need Order, p. 17)

FINAL APPROVAL CONDITIONED ONLY ON RECEIPT OF DOE GRANT

We have considered all issues relevant
to those topics (set forth in Section
403.519, Florida Statutes) and we
hold, for the reasons set out below,
that Tampa Electric has demonstrated
the need for the proposed 220 MW IGCC
plant. We approve the construction on
the condition that TECO does receive
the \$120 million grant from the
Department of Energy to help defray
the costs of the project. (Need
Order, p. 3);

**POLK IGCC UNIT REPRESENTS THE MOST COST-EFFECTIVE
ALTERNATIVE**

...In this proceeding the
determinative issue is whether it is
cost-effective for TECO and TECO's
ratepayers to incur the higher capital
cost of an IGCC unit to enable use of
lower cost coal fuel. That appears to
be the case here, because the DOE
grant significantly lowers the total
capital cost of the project. As we
will explain in detail below, the IGCC
unit is the most cost-effective
alternative to meet TECO's capacity
needs. That fact drives our decision
to grant TECO's petition. (Need Order,
p. 5-6);

TECO's IGCC unit with DOE funding is
more cost-effective than the combined
cycle unit in Docket No. 910004-EU.
(Need Order, p. 15);

TECO FUEL PRICE FORECAST REASONABLE

With certain reservations, we find

1 that TECO's fuel price forecast is
2 reasonably adequate for planning
3 purposes. (Need Order, p. 6);
4
5

6 **PROJECT COST-EFFECTIVE UNDER A WIDE VARIETY OF FUEL PRICE**
7 **ASSUMPTIONS**
8

9 Due to concerns regarding the
10 sensitivity of TECO's fuel forecasts,
11 our Staff asked TECO to perform an
12 economic comparison of its proposed
13 IGCC unit (using coal) and the phased
14 combined cycle unit from Docket No.
15 910004-EU using five different gas
16 forecasts for the phased CC unit).
17 Throughout the capacity factor range
18 in which TECO plans to operate its
19 IGCC unit (around 80%) the IGCC plant
20 was cost-effective under all fuel
21 price scenarios. ...The (revenue
22 requirements) analysis concluded that
23 TECO's proposed IGCC unit is cost-
24 effective under all fuel price
25 scenarios, including our Staff's "acid
26 test", at both the low capacity factor
27 of 60% and the expected capacity
28 factor of 80%. ... TECO also performed
29 a cost comparison between its proposed
30 IGCC project and FPL's current avoided
31 unit, a 1997 IGCC unit. Compared to
32 FPL's avoided unit, TECO's proposed
33 project is more cost-effective. (Need
34 Order, pp. 10-11);
35

36 **PROJECT ALTERNATIVES ADEQUATELY EXPLORED**
37

38 TECO demonstrated in this proceeding
39 that it adequately explored the
40 construction of alternative generating
41 technologies. (Need Order, p. 12);
42

43 We do believe TECO has adequately
44 considered the conservation measures
45 that would be reasonably available to
46 avoid the need for this proposed
47 plant. (Need Order, p. 13);
48

49 The record demonstrates that TECO
50 adequately explored and evaluated the

1 availability of purchased power from
2 other utilities. (Need Order, p. 15);

3 SUFFICIENT INFORMATION PROVIDED FOR DECISION

4
5 TECO provided sufficient information
6 on the site design and engineering
7 characteristics of its 220 MW unit to
8 enable us to adequately evaluate its
9 proposal. (Need Order, p. 8);

10
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14
15 The Need Order was a final and definitive charge to Tampa
16 Electric to go forward with its plans to construct an IGCC
17 unit at the Polk site, and this is exactly what the company
18 did. The Staff and other parties to this proceeding
19 suggest, in various ways, that the Need Order, containing
20 the language set forth above, was tentative or interim in
21 nature. We respectfully submit that no reasonable person
22 could come to that conclusion.

23
24 If the Need Order were to be considered as conditional or
25 tentative, it would render the very basis of the
26 Determination of Need Process meaningless; neither the
27 utility nor the Department of Environmental Protection
28 would be able to carry out their responsibilities to go
29 forward without assurance that the Commission had
30 conclusively found and voted that the Polk IGCC plant
31 proposed was the approved project. A "tentative" order
32 would likely have prevented the company from doing anything
to go forward with the project, and Tampa Electric's

1 customers would today be at risk with respect to receiving
2 the benefits of the project.

3
4 Q. What was the significance of the language in Order No. 92-
5 0002 which advised Tampa Electric to pay close attention in
6 the future to the differential between the projected prices
7 of coal and natural gas or oil and to "be ready to
8 substantiate continued reliance upon fuel forecasts that
9 have not accurately predicted the relationship between the
10 price of coal and the price of natural gas and oil"?

11
12 A. Mr. Larkin apparently believes that this language in the
13 order makes the order tentative. He is wrong. The
14 language he cites was not a condition of the Commission's
15 approval.

16
17 Even though Tampa Electric's Polk project was proven cost-
18 effective under all of the gas price forecast scenarios
19 considered by the Commission in the Need Hearing, in 1991,
20 and 1992, some of them very unrealistic, Tampa Electric
21 took to heart the Commission's caution, at page 6 of the
22 Need Order, to pay close attention to its fuel price
23 forecasts, especially with regard to the anticipated
24 differential between forecasted gas and coal prices.
25 Subsequent to the Need Hearing, as Mr. Smith explains in

1 his testimony, the company repeatedly reevaluated its fuel
2 price forecasting methodology and consulted a wide variety
3 of external forecasts in order to insure the forecasting
4 vigilance expected by the Commission. Clearly, the
5 cautionary language did not reach to a level that made the
6 approval of the Polk IGCC Unit in Order No. 92-0002
7 "tentative" or "conditional" with respect to fuel
8 forecasting methods.
9

10 Q. What is your understanding of what this Commission approved
11 in Order No. 92-0002?
12

13 A. As I explained in some detail earlier, the Need Order was
14 final, not conditional. Tampa Electric, as a public
15 utility under Florida Statutes, has an obligation to meet
16 the electric power needs of its customers. The 1991 Need
17 Hearing determined that Tampa Electric should meet that
18 need by constructing the Polk IGCC unit. Tampa Electric
19 has proceeded to do just that. Mr. Black addresses the way
20 in which Tampa Electric has managed the construction
21 prudently following the Need Order. The Need Order
22 approved the Polk IGCC unit for construction so that Tampa
23 Electric could proceed.
24
25

1 WILL THE POLK ONE ASSETS BE SOLD?

2 Q. In the course of developing the Polk Power Station, has
3 Tampa Electric considered selling any or all the assets of
4 the plant?

5
6 A. Yes. However, each of the alternatives explored have
7 provided that Tampa Electric would repurchase the output of
8 the plant, since our customers needed the output for
9 reliability and no alternative would receive serious
10 consideration unless the tax benefits obtained would
11 improve the cost-effectiveness of the project and our
12 customers' overall revenue requirements would be reduced.

13
14 Q. Please explain your statements in more detail.

15
16 A. Beginning in 1992, our tax department initiated efforts
17 aimed at securing, for our customers' benefit, the benefits
18 that were available through Section 29 of the Federal
19 Income Tax Code. This section provides tax credits to
20 taxpayers who develop alternative fuels (including syngas
21 from coal) and sell the alternative fuel to unrelated third
22 parties. Our tax department thought that while the company
23 did not qualify fully for the credits as the tax code was
24 then written, we might be able to find legislative support
25 to change the tax rules so that we could qualify by

1 removing code language requiring ownership by third
2 parties. We also explored how we might qualify for some
3 part of the credit if the language in the tax code could
4 not be changed. Among the alternatives discussed were some
5 which relied on the existing language that would have
6 required the company to sell a portion of the assets to an
7 unrelated third party in order to qualify for the benefit.
8 We would have then repurchased the related output of the
9 plant back from the third party. Of course, any
10 alternative plan for such a sale of assets would only be
11 seriously considered if it had resulted in a net increase
12 in ratepayer benefits and for no other reason.

13
14 Contrary to Mr. Larkin's assertion that Tampa Electric has
15 concluded it has "no obligation" to own or operate the Polk
16 Power Station, Tampa Electric has constructed the Polk
17 Power Station specifically because it recognizes its
18 obligation to serve its retail customers. The company
19 fully recognizes that it has an obligation to own the Polk
20 Power Station until and unless it requests and receives
21 approval from both this Commission and the FERC to sell any
22 major asset. That is Tampa Electric's position on its
23 obligation to own and to serve.

24
25 Q. Does Tampa Electric have any current plans to sell any

1 portion of Polk Unit One?

2
3 A. No. Tampa Electric has no current plans to sell any Polk
4 Power Station assets. To date, no viable plan has emerged.
5 We feel it is important to explore any reasonable
6 opportunity to lower the costs to our customers while
7 serving their needs. We might well be criticized by the
8 Commission if we didn't do that. We will continue to
9 explore such opportunities and we will certainly advise the
10 Commission if and when any cost-effective plan emerges to
11 sell any portion of the Polk Power Station assets. To
12 repeat, no such sale is expected at this time.

13
14 WHAT BEHAVIOR BY TECO WAS PRUDENT OR IMPRUDENT DURING 1992-1996?

15 Q. Is there any merit in Mr. Larkin's testimony (pages 7-10)
16 in which he discusses what the appropriate response to
17 Order No. 92-0002 should be?

18
19 A. Yes and I support some of Mr. Larkin's observations (at
20 pages 7-10) which read:

21 "...any utility has a
22 responsibility to remain flexible
23 and adjust to changed
24 circumstances as necessary to
25 keep costs as low as possible for
26 its customers' benefit."

27 "...Tampa Electric should have
28 recognized the importance of
29 remaining flexible in the event
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falling natural gas prices made a traditional combined cycle unit more cost-effective."

"I don't believe the Commission should reconsider whether it should have found the IGCC to be the most cost-effective alternative in 1992."

"The Commission should determine in this proceeding whether Tampa Electric's continuing reviews of the cost-effectiveness of the IGCC were adequate under the circumstances."

"The fuel savings which were projected originally to result from the use of coal, along with the \$120 million grant, helped offset the higher capital cost and operating and maintenance cost of an IGCC unit."

However, after articulating these very sensible observations, Mr. Larkin's testimony then deviates from the reasonable to his opinions of factors which he claims exist and which he suggests should have required Tampa Electric to take a different course during 1992-1996. I find no merit in these observations.

There is a serious flaw in Mr. Larkin's logic and in his understanding of what Order No. 92-0002 authorized Tampa Electric to do. Mr. Larkin asserts that Tampa Electric treated the Need Order as "advisory" to "suit its purposes". The Commission should be aware that Mr. Larkin offers no tangible evidence to support his conclusion. Tampa

1 Electric, as I have stated earlier in my rebuttal
2 testimony, took full notice of the Need Order. Order No.
3 92-0002 authorized the company to construct an IGCC unit at
4 the Polk Site. We did "act to suit our purposes", although
5 "our purposes" are to meet our obligation to serve by
6 carrying out the Need Order to construct the Polk Power
7 Station prudently, as Mr. Anderson and Mr. Black have
8 testified.

9
10 Mr. Larkin alleges that the company ignored "circumstances"
11 which developed after the Need Order "indicating a more
12 cost-effective generation alternative". No such
13 alternative has, in fact, emerged for Tampa Electric. Mr.
14 Hernandez has demonstrated that to be the case.
15 Speculating that the 1991 Need Hearing would have or should
16 have concluded that another alternative was more cost-
17 effective than the Polk IGCC Unit can not controvert the
18 evidence presented nor will it change the approval. As
19 Mr. Hernandez has testified, the Polk project today remains
20 cost-effective over its life even taking into account lower
21 current natural gas prices and prudently committed costs of
22 the project. The "changes" Mr. Larkin refers to are the
23 events Tampa Electric had to manage prudently in order to
24 build the IGCC unit and serve our customers.
25

1 Mr. Larkin also fails to recognize the benefits to
2 customers of adjusting to changes in the way Tampa Electric
3 did rather than attempting to be so "flexible" as to keep
4 any and all generation options open. One such benefit is
5 retention of the DOE funding, which would certainly have
6 been withdrawn if Tampa Electric had waffled in its intent
7 to proceed with the construction of the IGCC unit. The
8 Commission should be reminded here that the one explicit
9 "condition" of Order No. 92-0002 was the retention of the
10 DOE funding and the avoidance of any repayment obligation
11 for that funding.

12
13 Mr. Larkin's assertion that Tampa Electric "set out
14 initially to complete the gasifier rather than monitor
15 current price differences between coal and natural gas" is
16 without foundation. The company did initially set out to
17 complete the gasifier; that much is true. The company, in
18 fact, set out initially to construct the entire IGCC unit,
19 because that is what was approved and what was needed. The
20 company did complete the gasifier; that too, is factual.
21 However, the company did not fail to monitor current price
22 differences between coal and natural gas; we did, in fact,
23 monitor them as Mr. Smith and Mr. Hernandez point out and
24 we concluded that given where we were with the construction
25 of the IGCC plant, which remained cost-effective, our

1 customers would incur the lowest revenue requirements and
2 they would best secure the necessary reliability of service
3 by continuing the project's construction.
4
5

6 **WHAT ROLE DID COST-BENEFIT STUDIES PLAY DURING 1992-1996?**

7 Q. On pages 11-17 of his testimony, Mr. Larkin concludes that
8 Tampa Electric's cost-benefit analyses are "flawed". Which
9 cost-benefit analyses is Mr. Larkin referring to and what
10 is the significance of his statements?
11

12 A. Mr. Larkin's testimony regarding Tampa Electric's cost-
13 benefit analyses after 1991 is misdirected. While Mr.
14 Hernandez speaks to the calculations themselves, it is
15 important from a policy perspective to note that the
16 relevant cost-benefit analyses (i.e., the analyses as to
17 whether the proposed IGCC unit should be built at the Polk
18 Site) were litigated at the 1991 Need Hearing. The
19 Commission made its decision based on the evidence in that
20 docket and issued Order No. 92-0002 approving the Polk
21 project. Any "hindsight" analyses of whether today a
22 different decision might be reached if we had the luxury to
23 start all over again are not relevant, because we don't
24 have that luxury. As the Commission approved in 1991, the
25 IGCC Unit was the appropriate choice for Tampa Electric's

1 system, and, as Mr. Hernandez testifies, cost-effectiveness
2 analyses subsequent to the Need Hearing are not "flawed" and
3 they continue to show that the IGCC Unit is still cost-
4 effective today.

5
6 Rebuttal of Randall J. Falkenberg (FIPUG)
7

8 Q. What is your understanding of Mr. Falkenberg's position in
9 this docket?

10
11 A. Mr. Falkenberg's testimony says (page 6) that he does not
12 question Tampa Electric's need to add capacity or the
13 prudence and usefulness of the "combined cycle portion" of
14 the Polk IGCC project. He then agrees (page 11) that the
15 entire IGCC Unit is cost-effective. He describes his
16 position as questioning only the prudence of "the gasifier",
17 and he asks the Commission to "determine the prudence of
18 the gasifier". It is hard to fathom why he questions the
19 prudence of the gasifier in light of his recognition that
20 the entire IGCC Unit is cost-effective, but he quickly goes
21 right on then to conclude that an alternative rate
22 treatment is necessary.

23
24 SHOULD THE GASIFIER PORTION OF POLK UNIT ONE BE INCLUDED IN RATE
25 BASE?

1 Q. Do you agree with Mr. Falkenberg's testimony (at page 6 and
2 page 11) that the cost of the Polk Power Station "gasifier"
3 may not be appropriate for inclusion in rate base?
4

5 A. No. Mr. Falkenberg has offered no evidence that the
6 gasifier portion of the IGCC plant has been constructed
7 improperly, that it has not been contracted for properly or
8 that Tampa Electric has done anything imprudent subsequent
9 to the Commission's approval of the Polk IGCC project in
10 1991. As I stated earlier, Mr. Falkenberg has already
11 agreed that the entire IGCC unit is cost-effective. Mr.
12 Falkenberg simply concludes that the "high initial capital
13 costs" of the gasifier somehow suggest that these costs may
14 not be appropriate to include in rate base at the present
15 time. As noted earlier in my testimony, the Commission
16 explicitly addressed capital-fuel trade-offs in the Polk
17 Need Order. His arguments are not directed at the prudence
18 of the gasifier (see my discussion of the appropriate
19 standards for judging prudence earlier in my testimony) but
20 at the rate pricing effects that might ensue from the
21 inclusion of the gasifier cost in rate base under
22 traditional ratemaking.
23

24 Q. Does the April 30, 1996 approved stipulation between OPC,
25 FIPUG and the company address in any way the regulatory

1 treatment of the gasifier or other components of the Polk
2 IGCC?

3
4 A. Yes. It provides that ROE calculations under the
5 stipulation include "all prudent investments and expenses"
6 (emphasis supplied) of the Polk Power Station and that the
7 "only pro forma adjustments to be made to the calculation
8 of ROE shall be those adjustments approved in Tampa
9 Electric's last full rate case". If Polk Unit One is found
10 to have been constructed prudently, all components of the
11 plant should be included in rate base.

12
13 Q. Should any weight then be given to Mr. Falkenberg's
14 suggestion to somehow treat the gasifier component
15 separately from the rest of the unit?

16
17 A. No. I don't believe Mr. Falkenberg should be allowed to
18 pick and choose components of a plant to include or exclude
19 in rate base simply based on the potential price effect of
20 that component, particularly when these theories have been
21 discussed previously by the Commission and when the
22 potential for any effect on rates is more than two years in
23 the future. We believe that adoption of Mr. Falkenberg's
24 suggestion would clearly violate the terms of the April 30,
25 1996 stipulation. We also believe that the relevant

1 consideration in this regard is whether the entire IGCC
2 unit was and is the cost-effective choice among
3 alternatives, and if it is, then the actual cost of all the
4 components of the IGCC should be included in rate base.
5 Curiously, Mr. Falkenberg agrees that the whole IGCC unit
6 is needed (p.6) and cost-effective (p.11) while he suggests
7 that a component of the plant may not be. When the
8 Commission evaluated the Polk IGCC proposal in the Need
9 Hearing, it evaluated and approved the whole project, not
10 individual components. When the company's Polk One
11 proposal was litigated and approved, all parties knew that
12 the capital costs of an IGCC were higher than those of some
13 other alternatives and that the fuel costs were lower; the
14 selection of the IGCC was based on the total cost, not just
15 on the capital cost.

16
17 The Commission recognized this explicitly in Order No. 92-
18 0002 (pages 5-6) where it said:

19 "Nevertheless, in this proceeding
20 the determinative issue is
21 whether it is cost-effective for
22 TECO and TECO's ratepayers to
23 incur the higher capital cost of
24 an IGCC unit to enable the use of
25 lower cost fuel.....the IGCC
26 unit is the most cost-effective
27 alternative to meet TECO's
28 capacity needs. That fact drives
29 our decision to grant TECO's
30 petition."
31

1 I'm relatively certain that Mr. Falkenberg's clients would
2 not favor some alternative rate treatment that would do
3 away with the benefits of the low fuel costs forecasted for
4 the Polk Power Station, but those lower fuel costs come
5 from the capital and operating costs of the gasifier; the
6 gasifier technology is what makes the low fuel costs
7 possible. One cannot be enjoyed without the other.
8

9 Q. Mr. Falkenberg argues (page 6) that the "high" capital costs
10 of the Polk IGCC gasifier may be inappropriate for
11 inclusion in rate base. Later, on page 14, he indicates
12 that "high" capital cost is "not a problem" as long as there
13 is no rate increase. Please comment.
14

15 A. As I stated earlier, I can't agree with his first assertion
16 (page 6) because the April 30th stipulation specifically
17 provides that all prudently incurred expense and
18 investments must be included in the calculation of earned
19 ROE and I have shown that the fuel-capital trade-off issue
20 has already been litigated in the Need Hearing. As to his
21 second assertion (page 14), I partially agree. Mr.
22 Falkenberg is correct to point out that there is no rate
23 increase being sought in this docket, since the stipulation
24 also provides that Tampa Electric's base rates may not
25 increase prior to January 1, 1999. Any rate issues will be

1 deferred until after then. Even after then, the capital
2 costs of the gasifier should not be reheard because they
3 have been litigated previously in the Need Hearing. In the
4 meantime, there has been no credible evidence presented
5 that provides a solid reason for not including the actual
6 cost of the entire Polk Power Station (including the
7 gasifier) in rate base.

8
9 SHOULD POTENTIAL COMPETITIVE REGULATORY MODELS OF THE FUTURE BE
10 A STANDARD FOR JUDGING PRUDENCE TODAY?

11 Q. Is there any validity to Mr. Falkenberg's suggestion that
12 the "likely emergence of retail competition in Florida
13 should be a standard" by which the ratemaking treatment of
14 Polk Unit One should be determined?

15
16 A. No. If and when retail competition ever comes to Florida
17 by virtue of a change in the statutes, Florida's utilities,
18 regulators and customers may all have to deal with new ways
19 to look at the costs of power plants, but until that time,
20 all parties must operate under today's regulatory model.

21
22 There is no reasonable basis for Mr. Falkenberg's statement
23 that characterizes any emergence of retail competition as
24 being "likely" in the foreseeable future. Under present
25 Florida Statutes, and this Commission's implementation of

1 them, retail electric competition is effectively prohibited
2 today. There has been no change in this section of the
3 statutes of Florida which is scheduled to take effect at
4 some date certain in the future. No bill to allow or to
5 order retail electric competition has been passed by either
6 house or by any committee of the Florida Legislature.
7 After a lengthy study of the issue by a Florida House
8 Subcommittee on Utilities in 1996, a proposed bill to study
9 retail electric competition failed in committee by an 8-1
10 margin. Simply speaking, there is no appetite for retail
11 electric competition in the Florida Legislature at present.
12 Tampa Electric and this Commission are obligated to operate
13 and to regulate, respectively, under existing statutes.
14

15 Mr. Falkenberg's assertions that Tampa Electric will "not
16 have" a stranded cost problem in the future are
17 speculative, at best. As long as Tampa Electric operates
18 under existing law, I expect Mr. Falkenberg may turn out to
19 be correct. But to speculate about the timing, or the
20 existence, or the form of some future retail competitive
21 model is premature and irrelevant to present circumstances.
22 Mr. Falkenberg's statement that Tampa Electric's investors
23 somehow "accepted the risks" of an unknown future retail
24 competitive model is incorrect and without any substantive
25 foundation.

1 IS "INTEGENERATIONAL EQUITY" AN APPROPRIATE ISSUE FOR THIS
2 PRUDENCE DETERMINATION DOCKET?

3 Q. Do Mr. Falkenberg's concerns (page 13) regarding
4 "integenerational equity" deserve any real attention with
5 regard to determining the prudence of the Polk Project?

6 A. No. I have already responded to Mr. Falkenberg's
7 speculations regarding future retail electric competition
8 in Florida as being inappropriate criteria for the current
9 regulatory treatment of the Polk Power Station.

10
11 Having said that, I would point out that, in a regulated
12 environment for any given long-lived project, the revenue
13 requirements are higher at the beginning of the project's
14 life cycle than at the end of the cycle, regardless of
15 whether the output of the project has changed or not. The
16 Polk IGCC unit is no different. I might also point out
17 that today's customers are enjoying the lower revenue
18 requirements of older projects as well as the higher
19 revenue requirements of newer ones, so on a complete cost
20 of service basis (all assets), one tends to compensate for
21 the other. This is all accepted regulatory practice, so I
22 see no merit in Mr. Falkenberg's arguments.

23
24
25

1 SHOULD "RATE ISSUES" BE DISCUSSED IN THIS PRUDENCE DETERMINATION
2 DOCKET?

3 Q. Mr. Falkenberg refers several times in his testimony to
4 what he believes is the appropriate "rate treatment" of the
5 Polk Power Station and what he believes is inappropriate.
6 Is consideration of any "rate treatment" of the Polk Power
7 Station appropriate in this docket?
8

9 A. No. A discussion of "rate treatment" is irrelevant in this
10 docket because a change in Tampa Electric's rates is not
11 being sought in this docket. If and when Tampa Electric's
12 base rates are the subject of a petition seeking an
13 increase, which we now know will not be until 1999 or
14 later, Tampa Electric's "rate treatment" of any asset should
15 be determined at that time considering all the relevant
16 factors that exist at that time. Again, the April 30th
17 stipulation resolved all issues related to Tampa Electric
18 base rate levels and allowed ROE through 1998.
19

20 Q. Even though no change in rates is being requested, Mr.
21 Falkenburg attempts to raise other "rate issues" as well.
22 For example, Mr. Falkenberg suggests (page 8) that the
23 Commission should reassess in this docket the
24 jurisdictional separation between wholesale and retail cost
25 for the Polk Power Station. He also suggests that any

1 "excess capacity" be assigned directly to the wholesale
2 jurisdiction. Please respond to his assertions.
3

4 A. I disagree on both counts. With respect to wholesale
5 versus retail separation, this Commission approved in 1992
6 a separation method which is already implicit in the
7 approved April 30th stipulation agreement. There is no
8 need to relitigate this methodology simply because the Polk
9 Power Station enters service in October, 1996. On the
10 second count, Mr. Falkenberg does not provide any evidence
11 that any "excess capacity" exists, much less that there is
12 a basis for arbitrarily assigning any such capacity to the
13 wholesale jurisdiction. The FERC will not allow
14 arbitrarily-assigned assets to be included in the
15 computation of its cost-based wholesale rates, and if this
16 Commission were to do what Mr. Falkenberg suggests, there
17 then would be no opportunity at all for the recovery of
18 those assets, either from wholesale or retail customers.
19 An arbitrary assignment of capacity as being "excess", of
20 course, would also violate the intent of the Need Hearing,
21 which approved the Polk capacity as being "needed" and not
22 "excess." Given that Mr. Falkenberg said early in his
23 testimony that he did "not question the need" for Tampa
24 Electric to add the Polk Power Station capacity, I surmise
25 that he would find there is no "excess capacity," so perhaps

1 the issue is moot. However, I believe that my earlier
2 statements about the irrelevance of these so-called "rate
3 issues" are important to be recognized as well.
4

5 Q. Mr. Falkenberg proposes, assuming the Commission finds that
6 the gasifier portion of the Polk IGCC Plant is a prudent
7 expenditure, that then the return on the cost of the
8 gasifier be "phased in" over five years and the deferrals
9 be amortized over years ten through thirty. Please comment
10 on his proposal.
11

12 A. I strongly disagree with his proposal. If the Polk Power
13 Station construction is found to be prudent, all of the
14 actual costs, including the cost of the gasifier and the
15 return on the gasifier, should be included in rate base or
16 operating expenses for surveillance purposes when the plant
17 enters commercial service. Once again, the April 30th
18 stipulation anticipates that any phase-in would be
19 inconsistent with the intent of the parties to the
20 stipulation.
21

22 Rebuttal of Thomas Ballinger (FPSC Staff)
23

24 Q. Do you first have any general comments about the overall
25 content of Mr. Ballinger's testimony?

1 A. Yes. Mr. Ballinger's testimony appears to seek support for
2 the notion that the results of Tampa Electric's 1991 Need
3 Hearing should be relitigated. He cites matters that were
4 clearly considered in the Need Hearing as a basis for his
5 assertion that the construction of the Polk IGCC Unit
6 should have stopped in the 1993-1994 time frame. In
7 effect, he agrees that the Determination of Need process is
8 somehow not final and that it is still open to changes,
9 that developments since 1991 show that a different decision
10 should have been made and he concludes by simply suggesting
11 that a "fair" approach would therefore be to have all
12 parties negotiate an alternative ratemaking treatment. I
13 take issue with his premises and his conclusions.

14
15 WAS THE NEED ORDER FINAL OR CONDITIONAL?

16 Q. How do you respond to Mr. Ballinger's testimony which
17 describes the Determination of Need Process as being only
18 a temporary or conditional process based on "snapshot"
19 information instead of one which has a final approval?

20
21 A. I do agree with Mr. Ballinger that the Determination of
22 Need process is based on a "snapshot" of the future taken
23 at a given point in time. It was designed that way for a
24 reason: so that all parties could litigate at one point in
25 time whether or not approval should be given to a utility

1 to add capacity to its system. Utilities need to know they
2 have approval before they proceed with and commit to the
3 permitting and construction of the unit. Similarly, the
4 Department of Environmental Protection needs to know what
5 kind of unit will be built and where it will be located in
6 order to initiate the permitting process. Permitting must
7 then follow a lengthy schedule. Changing projects would
8 result in returning to "square one" to begin the need
9 determination and permitting processes over again. Delays
10 of this magnitude would place the in-service date of the
11 project and therefore the customers' use of the new
12 facilities at risk. Construction cannot begin until
13 permitting ends, further putting pressure on the targeted
14 in-service date. Financial commitments are entered into
15 early in most projects which will, if not honored, generate
16 costs that must be added to the cost of changing to any
17 alternative. Finally, in this particular project, delays
18 or a change in the type of unit to be built would have put
19 over \$120 million of DOE funding at risk.

20 Recognizing the need to make decisions on which all parties
21 could rely, the Legislature in 1979 put in place a new Need
22 Determination process designed to make the crucial decision
23 to "go" or "not go" up front, based on a snapshot forecast,
24 with all parties' input, so the utility and other agencies
25

1 would not be subject to second-guessing using hindsight
2 later in the project.

3
4 Mr. Ballinger seems to suggest that instead of a "snapshot"
5 process with a final order up front, that he somehow
6 interprets the process to be a "never ending" process that
7 stays unconfirmed and undecided as variables fluctuate from
8 time to time. Under this interpretation, when the project
9 is completed, regulators will then look back and see if the
10 utility made the right decision. This sort of "always
11 open, never closed" process would be even worse than no
12 process at all in my view (if it were allowed to be the
13 process), because all parties would then be encouraged to
14 continue their disagreements over the type of capacity to
15 be built until customers are at risk that needed facilities
16 will not be available as needed and until far too late in
17 the process to mitigate any sunk costs. I think Mr.
18 Ballinger is wrong about how the process is supposed to
19 work.

20
21 Q. Please comment on the relevance of Mr. Ballinger's remark
22 (at page 4) in which he says, "The Polk IGCC Unit was not
23 the result of competitive bidding process..."

24
25 A. It is not clear on its face as to what point Mr. Ballinger

1 was trying to make here. If his point is that Tampa
2 Electric did not engage in a competitive bidding process
3 for the capacity it needed before proposing the IGCC unit
4 in the Need Hearing, he is certainly correct, but his point
5 is not relevant to this proceeding. The Commission
6 discussed capacity bidding before approving Tampa
7 Electric's Polk IGCC proposal saying in the Need Order:

8 "Here we do not require TECO to allow
9 outside parties an opportunity to bid
10 against its proposed IGCC unit." (Page
11 16, Order No. 92-002)
12
13

14 If, on the other hand, his point is that constructed assets
15 of Polk Unit One should not be considered prudent because
16 they were not acquired by open bidding procurement
17 practices, he is clearly wrong. Tampa Electric's witness
18 Mr. Charles Black addresses the Polk Unit One procurement
19 practices, including bidding, in his testimony.
20

21 Q. Mr. Ballinger seems to be critical of the fuel forecast
22 Tampa Electric used in the Polk Need Hearing (page 4) and
23 he uses that criticism to suggest that the Need Hearing
24 process should remain open because of it. Are these ideas
25 relevant to the real issue in this docket?
26

27 A. No. As Mr. Ballinger is aware, the Commission Staff
28 disagreed with the forecast used by Tampa Electric in the

1 1991 Need Hearing. I have no problem with any party
2 opposing Tampa Electric's forecast in 1991, but the fact is
3 that the Commission accepted the company's forecast as
4 being reasonable after testing the company's forecast under
5 several fuel price scenarios and the analysis of the Staff.
6 The Commission allowed the Staff and all intervenors to
7 take its "best shot" and then approved the company's
8 proposal. That should have been the end of the issue with
9 respect to the kind of capacity to be built and the
10 certification of the Polk Power Station. After all, it is
11 difficult to understand what possible basis, other than the
12 explicitly-stated DOE funding requirement, there would be
13 for a claim of a "qualified" or "interim" approval as Mr.
14 Ballinger and Mr. Larkin suggest. The unchanging fact is
15 that the Commission approved the Polk Project. It did not
16 say "tentative approval" or "contingent approval" or "if gas
17 price differentials versus coal in 1992-1996 look more like
18 the Staff's "acid test" then those you presented in the Need
19 Hearing, your approval is rejected". It approved the
20 construction of the Polk IGCC unit. The Commission's
21 decision was tested in the Florida Supreme Court and
22 upheld.
23
24
25

1 HOW DO DISCUSSIONS OF TAX CREDITS REFLECT ON A DETERMINATION OF
2 PRUDENCE?

3 Q. Did Tampa Electric base the justification of the continued
4 construction of the Polk IGCC "primarily on a \$98 million
5 tax credit"?

6
7 A. No. As Mr. Hernandez has testified, Tampa Electric's 1994
8 cost-effectiveness determination was not based "primarily"
9 on the Section 29 tax credit.

10
11 However, at the time, Mr. Hernandez conducted the 1994 and
12 1995 cost-effectiveness studies, the likelihood of Tampa
13 Electric's prospects to amend the Section 29 tax code was
14 very high. The amendments had not been done yet, but Tampa
15 Electric had more than reasonable assurances that it would
16 be done by the Congress. Accordingly, our tax department
17 helped Mr. Hernandez to quantify the effects of such a
18 credit and highly recommended its use as a "most likely"
19 assumption.

20
21 To the extent Mr. Ballinger is being critical that Tampa
22 Electric has tried very hard to get a Section 29 tax credit
23 and has been unsuccessful to date, I take issue with him.
24 As I said earlier in my response to Mr. Larkin, Tampa
25 Electric could very well have been criticized by the

1 Commission if it did not pursue any reasonable opportunity
2 to obtain lower costs which would benefit its customers.
3

4 Q. Mr. Ballinger comments in his testimony on various ways
5 that potential Section 29 tax credits could be treated for
6 regulatory purposes. If a Section 29 tax credit is
7 eventually realized by Tampa Electric Company, how should
8 it be treated for regulatory purposes?
9

10 A. Any Section 29 tax credits realized should be treated as a
11 reduction of base rate revenue requirements.
12

13 Q. Please explain your answer.
14

15 A. In January of 1994, the company first proposed that any
16 Section 29 tax benefits that might be realized would be
17 flowed through the fuel clause. In June, 1994, Tampa
18 Electric's officers developed a dramatic new overall
19 financial plan to sharply reduce costs and a plan to defer
20 the resulting savings to future years to offset the
21 projected revenue impact of the Polk Power Station.
22 Concurrent with the new plan, the company changed its
23 position about the way in which it believed Section 29 tax
24 credits should be treated. In view of the new plan, Tampa
25 Electric subsequently concluded that the treatment of any

1 possible tax benefits realized from a Section 29 tax credit
2 should be reflected in base rates and be a part of the
3 negotiations to put together a stipulation for revenue
4 deferrals. The initial discussions to negotiate a long
5 range revenue deferral plan began in late 1994 and early
6 1995 and a one-year deferral plan was finally approved in
7 April of 1995. Negotiations continued later in 1995 and
8 into 1996 and a long range (1995-1999) deferral plan was
9 finally approved in April of 1996. The base rate treatment
10 of any possible Section 29 tax benefits was discussed as
11 part of the 1995 and 1996 negotiations with OPC and FIPUG.

12
13 With that background, Tampa Electric believes today that if
14 any Section 29 tax credits are realized that they should be
15 treated as a reduction of base rate revenue requirements.

16
17 DID TECO ACT PRUDENTLY WHILE POLK UNIT ONE WAS UNDER
18 CONSTRUCTION?

19 Q. Is there any merit to Mr. Ballinger's remarks (on page 13)
20 that Tampa Electric apparently adopted and pursued a "coal
21 at any cost" construction strategy or to his suggestion (on
22 page 14) that the company should have stopped construction
23 of the Polk IGCC in the 1993-1994 timeframe?

24
25 A. No, none at all. Tampa Electric obtained approval from

1 this Commission in early 1992 to construct an integrated
2 gasification combined cycle plant at the Polk site based on
3 comparative studies that showed this choice was the most
4 cost-effective choice of meeting the approved capacity
5 need. Certainly the Commission did not approve a "coal at
6 any cost" strategy in approving the Polk IGCC project, nor
7 did Tampa Electric pursue such a course. To the contrary,
8 Tampa Electric pursued an "integrated gasification combined
9 cycle plant as its most cost-effective choice" strategy.

10
11 As Mr. Hernandez has testified, Tampa Electric's studies of
12 cost-effectiveness subsequent to approval of the Polk IGCC
13 Unit continued to show the project to be cost-effective
14 even as assumptions changed. This was certainly not a
15 "coal at any cost" strategy, but one in which new
16 information and changes in assumptions resulted in the
17 continuation of a cost-effective project to meet our
18 customers' needs. In fact, the present plans anticipate
19 the use of a petroleum coke (which is not "coal") blend as
20 feedstock to the plant beginning in 1998 instead of 100%
21 coal because it is expected to be cheaper for our customers
22 than 100% coal. This is not reflective of a "coal at any
23 cost" strategy, as Mr. Ballinger suggests.

24
25 Tampa Electric's apparent resolve to construct the Polk

1 IGCC Unit did not arise from a "coal at any cost" strategy.
2 It arose from our obligation to meet the needs of our
3 customers in a prudent and professional way. As Mr. Black
4 testifies, we could not have done that if we had stopped
5 construction on the IGCC unit in 1993 or 1994.

6
7 SHOULD "ALTERNATIVE RATEMAKING" SUGGESTIONS BE DISCUSSED IN THIS
8 PRUDENCE DETERMINATION DOCKET?

9 Q. Mr. Rowe, what is your understanding of Mr. Ballinger's
10 assertion that Tampa Electric and the other parties to the
11 proceeding should be directed to negotiate the details of
12 an alternative ratemaking treatment for the Polk Power
13 Station?

14
15 A. On pages 14-15 of his testimony, Mr. Ballinger suggests
16 that the risk of fuel-capital cost flexibility should be
17 shifted away from ratepayers and that "to be fair, TECO
18 should assume the risk of their fuel forecast..." He goes
19 on to suggest that the Commission should direct the parties
20 to this case to negotiate the "details" of an alternative
21 ratemaking treatment, or in the alternative, that the
22 Commission should disallow a major portion of the Polk
23 Power Station costs as outlined in OPC witness Larkin's
24 testimony.
25

1 Q. Please respond to Mr. Ballinger's recommendation of
2 "alternative ratemaking".

3
4 A. Again, the purpose of this proceeding is to determine the
5 prudence of Tampa Electric's construction of its Polk Power
6 Station. Ratemaking is not an issue in this case, either
7 "alternative" or "traditional". The Commission should not
8 stray from its purpose in this case, which is to determine
9 prudence, by entertaining ratemaking proposals.

10 The April 30th stipulation is indeed an "alternative
11 ratemaking" treatment for Tampa Electric which deals with
12 the regulatory treatment of the Polk Power Station very
13 effectively. That "alternative ratemaking" treatment was
14 agreed to by OPC, FIPUG, and Tampa Electric Company. Mr.
15 Ballinger's recommendation should not be entertained here.

16
17 I certainly do not fault Mr. Ballinger for seeking to
18 protect ratepayers. Tampa Electric recognizes the value of
19 its customers and our obligations to them as well.
20 However, hopefully Mr. Ballinger (and certainly the
21 Commission) will seek not only to "protect ratepayers" but
22 to appropriately balance the interests of ratepayers with
23 those of utility shareholders. That principle is well-
24 established in the long history of this Commission's
25

1 | decisions and in the statutes which undergird the
2 | Commission's actions. Keeping that balanced perspective in
3 | mind, I disagree with Mr. Ballinger's statement that "to be
4 | fair, TECO should assume the risk of their fuel
5 | forecast..." The April 30th stipulation is the fair way to
6 | balance the interests of all parties, and it is already in
7 | place.

8 |
9 | Q. Having read the testimony of Mr. Larkin, Falkenberg and
10 | Ballinger, and responded to them, will you please summarize
11 | your recommendations to the Commission?

12 |
13 | A. Yes. Tampa Electric believes that it has, acting on an
14 | approved order of this Commission, prudently constructed
15 | the Polk Power Station and put in place the necessary
16 | elements to operate the plant to the benefit of its
17 | customers. The company has presented extensive evidence in
18 | this case to prove that it has done so. In so doing, we
19 | are entitled to put our prudent costs of constructing and
20 | operating the plant into rate base and operating expenses
21 | respectively for reporting of our utility operations. We
22 | have a right to rely on the established decisions, rules
23 | and practices of this Commission and to participate in any
24 | changes that may be considered prospectively. We urge the
25 | Commission to reject the conclusions and proposals of these

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witnesses, to find the Polk Power Station to have been built prudently pursuant to your order, and to order that the actual cost of the station be included in rate base and operating expenses as recorded.

Q. Does this conclude your rebuttal testimony, Mr. Rowe?

A. Yes, it does.